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CENTRAL INTELLIGENCE AGENCY

13 March 1957

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Dangers in the Suez Situation

1. It is evident that the basic incompatibility of Israeli and Egyptian aims -- and the lack of firm agreement regarding the assumptions surrounding Israel's withdrawal -- poses new threats both to the achievement of a modus vivendi on the Suez Canal issue and to the preservation of even the present degree of stability in the Arab-Israeli situation. Moreover, there is still a broad and possibly unbridgable gap between the views of Egypt and those of the principal Western powers regarding the future of the canal.

2. While Israel finally withdrew from Sharm el-Sheikh and the Gaza Strip, it did so reluctantly and in the face of heavy popular and parliamentary opposition and by a split vote within the Cabinet itself. Israeli leaders are thus politically as well as personally

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committed to establishing Israel's claims to free passage through the Gulf of Aqaba and to insuring that at a minimum the Gaza Strip does not become once again a base for Egyptian fedayeen and military pressures against Israel. For the present, the Israelis will probably depend on diplomatic rather than military means to secure their objectives, seeking to cash in on the explicit and implicit commitments contained in the statements of the US and others at the time of Israel's withdrawal announcement. However, the Israeli government and people are in an angry mood, and have already threatened to resort to force if they cannot attain their objectives by peaceful means. In this they would almost certainly count on military assistance from France and the political support of a number of other powers.

3. On the other hand, the Egyptians, which have consistently maintained that Israeli withdrawal had to be unconditional, are determined to prevent Israel from profiting from its military action to withdraw and almost certainly feels that diplomatically, though not militarily, they are in a strong position. Within the last few days

Egypt has moved abruptly to emphasize the point that Gaza is subject to Cairo's jurisdiction and that the UN is there on Egyptian sufferance. It almost certainly assumes that, except under extreme conditions, the UN would be unwilling to use the UNEF (which includes detachments from such states as India and Yugoslavia) to impose new restraints on Egypt and in fact would probably feel compelled to withdraw the UNEF entirely if Egypt exerted sufficient pressure. Egypt almost certainly also counts on the vulnerability of the Western powers to further obstructionism regarding reopening of the Suez Canal, and on the desire of the US in particular to avoid offending other Arab states, notably Saudi Arabia, which has already expressed concern over the projected oil pipelines through Israel.

The Gulf of Aqaba Issue.

4. The Israeli government is firmly committed to early test of its claims to "innocent" passage through the Gulf of Aqaba. *

* Israel has also talked of testing its claims to free use of the Suez Canal, though present indications are that it will probably delay on the latter point pending an interim arrangement on general use of the canal.

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Besides urging the US to send a vessel through the Gulf of Aqaba to Elath, Israel may test the passage with a chartered Danish freighter within the next week.

5. There is a better than even chance that such a test will encounter no more than verbal opposition from Egypt and the other Arab states. Egypt will be unable to interdict the Straits of Tiran with shore batteries so long as the UNEF remains in occupation, has inferior naval forces in the area, and would probably stop short of using its IL-28's to prevent passage of Israeli-bound shipping. However, Egypt and the other littoral states of the Gulf, Saudi Arabia and Jordan, will refuse to acknowledge any successful passage as legitimate, and once UNEF forces withdrew Egypt might seek to interdict the Straits. If Egypt did so a new military clash with Israel would be almost certain. Egypt and other Arab states might restore economic pressures with respect to the Suez Canal and oil production in order to discourage strong Western support for Israel.

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6. Egyptian indications that it would abide by a ruling of the International Court of Justice on the "free passage" issue offer a potential means of avoiding a conflict and may in fact represent an Egyptian attempt to establish a face-saving formula for backing down. However, Israel is now unwilling to abide by a court ruling and will probably remain adamant on the issue unless it is convinced that it is certain to win. The chances of so convincing Israel appear particularly slim because of the legal complexity of the issue and the unlikelihood of an early decision.

7. The role of the two Israeli frigates and supporting motor launches at Elath poses special problems. Use of these vessels for convoy duties would be in at least technical violation of the armistice agreement and would increase the risk of armed conflict: 25X6

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[REDACTED] However, Mrs. Meir has insisted on Israel's right to send these ships through the Gulf and it is probable that the Israelis are strongly desirous of doing so, both to insure the safety of the test vessels and to establish Israel's right to station naval vessels in Elath.

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Israel would almost certainly employ its naval units and whatever other force might be needed in the event of Arab interference with shipping through the Gulf.

The Gaza Problem.

8. The status of the Gaza Strip will continue to pose a particularly delicate problem. Israel insists that Egypt must not be allowed to return to Gaza and has threatened to go to war if this occurred. However, the UN has assumed administrative as well as border security duties in Gaza on a very provisional basis. Moreover, the UN authorities are acutely aware that their continued presence is legally dependent on Egyptian assent.

9. Egypt appears to be backing off from its initial move toward prompt reassertion of full Egyptian authority over the Gaza Strip, and it is possible that some arrangement may be worked out by which Egypt would return to the Gaza Strip under conditions which offered some minimal security safeguards to Israel. Such an arrangement,

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might be acquiesced in by Israel, particularly if the latter had succeeded in establishing its Aqaba claims. However, it would probably be impossible to obtain without abandonment of Israel's stoutly maintained opposition to the stationing of UNEF forces on its side of the line.

10. Accordingly, achievement of such a modus vivendi would at best be extremely difficult. Although Egypt probably wishes to avoid another early military showdown with Israel, its actions thus far suggest that it will probably push as hard as it thinks the traffic will bear toward reestablishing its own position in Gaza and harassing the Israelis. Such moves may come to include new fedayeen raids from other Arab states, which would have an explosive effect on Israeli opinion. Even if Egypt moves toward a compromise, there is some slight chance that Israel will become emotionally committed to an all-or-nothing policy and another resort to force. Finally, there is the problem of maintaining a stable border in the face of probable opposition both by Egypt and by many of the participants to long-term maintenance of the UNEF.

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Arrangements Regarding the Suez Canal

11. With clearance operations now entering the final stage, the need for an interim arrangement regarding resumption of traffic through the Suez Canal has become increasingly urgent. However, prospects for achievement of such an arrangement are poor, and may be further diminished as a result of controversies over Aqaba or Gaza. Egypt is probably convinced that it can obtain a settlement on terms no worse than those it offered -- and the Western powers rejected -- prior to the Israeli-British-French invasion. Nasser has continued to insist that Egypt retain effective full control over the canal. With respect to an interim settlement, Egypt has held that revenues must be paid directly to Egypt rather than to the IBRD as proposed by the US, the UK, France, and Norway, and appears to be backing away from earlier intimations that it would allow some portion of the revenues to be set aside pending a final canal settlement. Although Egypt has finally permitted canal clearance to proceed -- an act probably in part designed to stimulate shipper pressure on the Western powers to accept a settlement on Egyptian terms -- it has continued to behave in a high-handed fashion toward UN clearance personnel. The USSR has continued to encourage Egyptian obstructionism.

12. Thus, the using powers are likely to be confronted once again with a choice between boycotting the canal or acquiescing in arrangements for operation of the canal which they previously rejected as offering insufficient safeguards. The UK, France and probably some other countries would be most reluctant to give official approval to a settlement on Egyptian terms and would probably seek to temporize in the hope of bringing about Nasser's downfall through continuing economic and political pressures. They would almost certainly refuse to settle if Egyptian-Israeli fighting were resumed. Barring such resummptions of fighting, however, it would be difficult for the UK, France, and other like-minded powers to hold the line against de facto acceptance of Egyptian terms by their shippers.

FOR THE BOARD OF NATIONAL ESTIMATES:

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